

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND COMMERCE

Call to Order: By **CHAIRMAN DICK HAINES**, on January 5, 2001 at 8:00 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Dick Haines, Chairman (R)
Sen. William Crismore, Vice Chairman (R)
Rep. Christine Kaufmann (D)
Sen. Linda Nelson (D)
Rep. Joe Tropila (D)

Members Excused: Sen. Bill Tash (R)

Members Absent: None.

Staff Present: Gary Hamel, Legislative Branch
Amber Sauer, Committee Secretary
Todd Younkin, Legislative Branch
Doug Schmitz, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Department of Natural Resources and Conservation, Conservation Districts
8.36% Coal Tax Allocation, Capitol Grounds (proprietary) FWP, 1/5/2001
Executive Action: Global Motion for Natural Resource Subcommittee, 8.36% Coal Tax Allocation, Capitol Grounds Rate Increase

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Mr. Gary Hamel, Legislative Fiscal Dept. (LFD) Representative, conducted introductions and gave a short orientation for members

on the subcommittee workings laying out the ground rules and procedures. He reminded committee members should leave proxies for voting in their absence. He distributed guidelines for the subcommittee to use during the next few weeks. He stated the LFD issues or comments are presented in the analysis book if present law needs further explanation or requires additional legislative consideration. Vacancy Savings are those savings realized during a time when an FTE (full time equivalent position of 2080 hours/year) position is vacant due to normal turnover. The base is the amount of money spent to produce the level of services and operations provided in fiscal 00. The base is being used to build a budget for FY 02 and FY 03. Present Law adjustments and new proposals are in addition to what is requested in the base. Present Law is the amount of funding needed to provide the same level of services and operations for fiscal years 02 and 03 as was provided by the amount spent in fiscal 00. **Mr. Hamel** also explained legislative spending authority. He stressed the use of staff for all committee members--they are there to help them with the process of HB 2.

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Mr. Todd Younkin, LFD, explained the global motions which should be used in the beginning of executive action for each agency.

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EXECUTIVE ACTION ON GLOBAL MOTION FOR THE NATURAL RESOURCE PROGRAM

Motion: SEN. NELSON moved that **BASE LEVEL OF FUNDING PLUS STATEWIDE PRESENT LAW ADJUSTMENTS (TO INCLUDE DP 699-ADDED VACANCY SAVINGS) FOR THE PROGRAMS OF THE NATURAL RESOURCE SUBCOMMITTEE BE ADOPTED. Motion carried unanimously.**

CHAIRMAN HAINES commented on the lack of a need for seconds on all motions during the committee's executive actions. The committee decided seconds would be in order. (Note: Seconds will not be recorded in these minutes.) **CHAIRMAN HAINES** has asked for the LFD staff to continue to give the committee a running total of expenditures and/or savings as they work.

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HEARING ON THE 8.36% COAL TAX ACCOUNT

CONSERVATION DISTRICTS

Mr. Ray Beck, Administrator, Conservation Resource Development Division, Department of Natural Resources and Conservation

(DNRC), gave an overview of the program. This division oversees the administration of the conservation district programs as well as many other financial programs. He spoke to the conservation district funding. **Mr. Beck** stated there is 8.36% of the coal severance tax set aside by law for four agencies involving five programs. The Conservation Districts is one of those agencies.

Conservation Districts cover the entire state including most cities and towns. They are local government set up under state law and are responsible for the management of natural resources within their boundaries. Each district has five locally elected supervisors and two appointed by the incorporated communities within the district. The funding for the districts comes primarily from 1.5 mill levy on real property which averages about \$10,000 to \$15,000 per year per district.

The Conservation Districts are seeing their workloads increase as the public is becoming more vocal about a clean and healthy environment. **Mr. Beck** stated issues in which the districts become involved include water quality, water quantity, river health, range and ranch management impact, urbanization development, stream permits, weed management, and watershed activities.

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223 Grant Program

This program provides critical funding for projects and activities necessary to satisfy Conservation Districts Natural Resources management mandates. Projects include stream bank stabilization, irrigation management projects, erosion control, forestry management, conservation education, groundwater management, reclamation projects, urbanization, etc. There is a much greater need for funds than are available. **Mr. Beck** stated in the past five years the Conservation Districts have become more involved in watershed planning. The Districts are important as a local catalyst in helping local residents in identifying resource concerns and mobilizing the necessary education, financial and technical resources to address these concerns.

Mr. Beck continued that out of the coal tax portion for the conservation districts, there is the watershed planning and assistance grant program. The program provides up to \$10,000 per project. Grants are based on local needs from water quality to weeds. Assistance has been provided to 50 watersheds over the

last few years, and in the last year, funds were exhausted within the first four months. He showed slides of the watershed projects throughout the state for committee members to identify their areas.

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Streambed and Land Preservation Act (310 Act)

Mr. Beck stated this was passed in 1975. Any activity in a perennial flowing stream that disturbs the bed or bank requires a permit from the local conservation district. These projects are complex and require expertise to make decisions. There are currently about 1500 permits in the state at a cost of about \$300 per project for a total of \$450,000 per year. These funds can also be used for engineering activities for bank stabilization and river restoration projects.

Miscellaneous Uses for Coal Tax Funds

Mr. Beck reported funds in the amount of \$50,000/year are used for legal fees. These are usually used for preventative legal services in providing contract reviews, bidding procedures, personnel issues, and 310 issues.

Administrative grants to conservation districts also come from the coal tax allocation. These funds are very important for the daily operations of the districts.

The ENVIRONCOM program receives coal tax money. The goal of the ENVIRONCOM is to provide educational opportunity in competition open to students in grades 9-12 statewide in a two-day event testing in five natural resources categories. Each team is required to develop solutions to a hypothetical resource program based on a local resource issue.

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Ms. Shawnee Nordlund, ENVIRONCOM Program Coordinator for the State, District Administrator, Fergus County, spoke regarding the ENVIRONCOM Program. This began in 1995 and has grown to 25 teams participating last year. At the national competition held in Nova Scotia, the Montana team placed tenth. It is considered North America's largest natural resource competition. **Ms. Nordlund** described the competition for the committee. She feels this is an important method to teach our youth to help preserve the natural resources.

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Ms. Jane Holzer, Program Director, Montana Salinity Control Association, spoke about the program and distributed a brochure. They work primarily on the watershed approach to saline seeps. She gave a background on the program, its organization, its funding (coal tax support and user fees), and its duties. They are located in Conrad due to the fact that the majority of saline seeps are in that general vicinity.

EXHIBIT(jnh03a01)

Ms. Holzer showed a slide of the seeps throughout Montana and into Alberta. Usually groundwater investigations to determine groundwater flow directions are necessary to determine the origin of the seeps. Many times several landowners are involved and need coordination from the Association to work on the seeps. She showed examples of land with saline seeps which can become as large as 400 acres.

PUBLIC TESTIMONY

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Mr. Mike Carlson, Eastern Plains Resource Conservation and Development Area, Sidney, stated they are a 16-county economic development group and have been in existence for ten years. He stated the 1999 Legislative allocated \$50,000 from the DNRC for a small grants program to fund new community business startups in eastern Montana. It has been very successful and has much local support. He distributed information for the committee regarding his presentation. He stated the programs goals and objectives, accomplishments, and methods in awarding grants for a maximum of \$5,000 each. It included a list of 37 applicants requesting a total of \$164,578 of which 17 grants were awarded for a total of \$48,000 last year.

EXHIBIT(jnh03a02)

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Mr. Michael Wendland, President, Montana Association of Conservation Districts and Supervisor of the Hill County Conservation District testified to the committee in support of continued coal tax funding. He also requested additional funding for the 223 Grant Program, Watershed Assistance Grant Program, and Administrative Grant Program. His written testimony is part of these minutes.

EXHIBIT(jnh03a03) and **EXHIBIT(jnh03a04)**

Mr. Alan Rollo, Great Falls, Watershed Coordinator, works mainly on the Sun and Teton Watersheds. He testified in support of the existing funding of the DNRC funding for the Watershed Grants. The need is critical even in small dollar amounts. He also supported pursuing the additional funds requested by Mr. Wendland.

Ms. Vicki McGuire, Lincoln County, Eureka, has worked for the Lincoln Conservation District for 20 years and served as an urban representative on the Conservation District Board appointed by the City of Eureka. She spoke in favor of continued funding for the Watershed Grants and the proposed increases.

Ms. Jennifer Dwyer, Coordinator, Big Hole Watershed Committee, testified in support for the current funding and increased funding for watershed projects. She gave examples of how the funding has been used in her area to maintain critical flow in the past summer.

Ms. Amy Miller, Park Conservation District, urged committee support for the watershed projects, the 223 Grant funding, and stressed the importance of the administrative funds granted to small districts such as Park County.

Mr. Barry Warram, Chairman of the Board, Montana Salinity Control Association, and Board of Supervisors for Chouteau County Conservation District, Highwood, MT, stated the original saline seep research was done on the Highwood bench. The knowledge gained in the late 60's and 70's is now being applied by Ms. Holzer and her staff. He urged continued support for funding.

CHAIRMAN HAINES asked for clarification of how the funding is distributed. **Mr. Beck** stated it all goes to the Conservation Resource Development Division and is passed through to the individual agencies.

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DEPARTMENT OF AGRICULTURE

Montana Growth Through Agriculture Program

Mr. Ralph Peck, Director, Department of Agriculture, introduced **Mr. Will Kissinger, Deputy Director and Administrator, Montana Agriculture Through Agriculture Program**, who distributed a

booklet on the Montana Growth Through Agriculture Program (MGTA) and gave a brief overview.

EXHIBIT (jnh03a05)

Mr. Kissinger stated the purpose of the program established in 1987 is to strengthen and diversify Montana's agricultural industry through activities promoting private-public sector partnerships to assist in the development and commercialization of new agricultural products and processes. The intent of the Montana Growth Through Agriculture Act is to create jobs and expand agricultural business opportunities. **Mr. Kissinger** spoke about the formation of the Agriculture Development Council and described the MGTA Program, its effects on local communities and the jobs created. He stressed accountability is critical.

Written testimonies of grant participants in support of the program and comments from several applicants were included.

REP. TROPILA asked about a grant given to Butte in 1989. **Ms. Meta Boyer, Bureau Chief**, responded it was funding provided to assess the feasibility of developing a pasta plant in Butte. That study was later provided to other areas of the state after it was determined not to build a plant in Butte.

Mr. Peck pointed out three of the letters of testimony to the committee that were of special interest.

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PUBLIC TESTIMONY

Mr. Bob Gilbert, Montana Wool Growers Association, Sydney, stated he has participated in the MGTA Program twice to promote business with Canada in sheep, and in working to promote the dairy business in Montana.

Mr. John Bloomquist, Montana Stockgrowers Association, testified for the MGTA Program. He stated the dollars that funded the initial tour to Canada with Mr. Gilbert resulted in feeder cattle being sent to Canada. The results of the tour continue to grow. McDonald's Restaurant is interested in a pilot program in educating consumers as to where the food originates.

Mr. Bob Stevens, Montana Graingrowers Association, spoke in favor of the MGTA Program.

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Ms. Lorna Karn, Montana Farm Bureau, spoke in favor of the MGTA Program and its contribution to economic development in the rural communities.

Mr. Dore Schwinden, Montana Farmer's Union, spoke in support of the program.

Mr. Mike Wendland, Montana Agricultural Conservation Districts, testified to the benefits of the MGTA Program and urged continued support.

Mr. Peck closed by stating the Program is a ray of hope for Montana's agricultural communities.

REP. KAUFMANN asked about the alternative/organic agriculture in Montana. **Mr. Peck** replied they have had a proposal for mushroom production and an organic cheese producer whose applications have been approved. Taiwanese representatives have been meeting with a producer in Conrad regarding alternative and organic crops. Wheat Montana has also entered into the international market.

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DEPARTMENT OF COMMERCE

Coal Board

Mr. Newell Anderson, Division Administrator, Local Government Assistance Division, Department of Commerce, gave an overview of the Coal Board. The Coal Board is administratively attached to the Department of Commerce and is comprised of seven members appointed by the Governor. **Mr. Anderson** distributed information for the committee.

EXHIBIT (jnh03a06)

He gave a history of the Coal Board which was formed in 1975. He stated in the last 26 years, the Coal Board has awarded \$73 million to local communities. Coal Country is currently defined as Big Horn, Custer, Rosebud, Treasure, Powder River, and Yellowstone Counties; however, those counties can change. The information included a map indicating the location of the coal deposits, the coal mines, and the impact areas.

Mr. Anderson introduced **Mr. Roger Knapp, Montana Coal Board, Treasure County Commissioner**, who elaborated on the Coal Board, its composition, its duties, its geographical area covered, and how expenditures are made. He was concerned about the era of

decline in coal country and what the effects have been on some of the communities.

SEN. KAUFMANN asked for further information on the grants. **Mr. Knapp** responded they were used for the negative impact coal production caused by the large rapid growth of communities. Local communities needed to increase schools, fire protection, and other community services in short periods of time to accommodate the growth.

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PUBLIC TESTIMONY

REP. MONICA LINDEEN, Representative, HD 7, urged support for the Coal Board budget requests. The funding has been extremely critical for the communities in coal country. The decline of coal mining has been as difficult as the rapid growth for small communities to handle.

Mr. John Williams, Mayor, Colstrip, spoke in support of the Coal Board funding. He stated he represented other coal country mayors. The downsizing has been challenging for the small communities, but they hope to see coal production increase in the future.

Mr. Steve Wilkins, Sheriff and Emergency Disaster Coordinator, Treasure County, spoke of the importance of the Coal Board to Treasure County. The Coal Board has helped support the law enforcement agency in Treasure County through supplemental funds.

Mr. Bob Gilbert, Rosebud County and Colstrip, urged support of the Coal Board. He stated they strongly support the activities of the Coal Board. He was born and raised in old coal country in Roundup, Montana, and understood coal mining and the impacts it can have on a community.

SEN. MAC COLE, SD 4, represents most of coal country, and spoke about the importance of coal for the whole State of Montana. He distributed copies of the final report of the Governor's Local Coal Impact Review Council which was formed in the 1999 Legislative session.

EXHIBIT (jnh03a07)

He stated the State needs to look at increasing coal production with the energy crisis upcoming. Montana ranks first in coal resources with reserves of 120 billion tons. At one time Montana

was the largest coal producing state in the U. S. **SEN. COLE** is chairman of the Energy Committee and very much supports the activities of the Coal Board.

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REP. TROPILA stated he was in the legislature in 1975 when the Coal Tax Trust Fund was started. At that time the negative impacts of both growth and decline were considered.

CHAIRMAN HAINES stated he felt the energy crisis may become a golden opportunity for the State of Montana. He also asked **SEN. COLE** if information from the hearing in the Energy Committee could be published at some time.

Mr. Tom Daubert, Montana Association of Oil, Gas and Coal Counties, which consists of 30 or more counties in Eastern Montana spoke in support of the Coal Board funding.

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DEPARTMENT OF COMMERCE

County Land Planning

Mr. Kelly Shields, Planner, Department of Commerce, distributed information for the committee on the County Land Planning Fund Program.

EXHIBIT(jnh03a08) and **EXHIBIT**(jnh03a09)

He stated the County Land Planning Fund Program (CLPFP) was established in 1975 under the Department of Commerce. The funds are distributed to each county in the state in the amount of at least \$3000 with the remainder of the funds being distributed through a formula based on population and land area. **Mr. Shields** stated no funds are used for administration. The funds may be used for comprehensive planning, economic development planning, capital improvements planning, and for various studies and grant writing. There are also definite areas of ineligible uses. Counties are required to report usage of the funds each year. The information distributed included a sample of the report form.

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PUBLIC TESTIMONY

Ms. Peggy Beltrone, Cascade County Commissioner, urged support for the County Land Planning Fund Program. Cascade County has been amending an old county plan for operation for twenty years and these funds are critical for implementing a new plan.

CHAIRMAN HAINES asked for a breakdown of the percentage of the CLPFP funds in overall planning funds for Cascade County. **Ms. Beltrone** stated it is a small percentage since there is an allocation for planning in the Cascade County general funds; however, it is critical to continue to receive those funds.

Ms. Jane Jelinski, Montana Association of Counties, spoke as a representative of Montana's counties. She urged support of continued funding for the CLPFP. In some counties the funds are a pittance of planning funds allocated, but in other counties it can be 100% of the planning funds.

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STATE LIBRARY COMMISSION

Library Services

Ms. Karen Streige, Director, State Library, spoke about two programs funded by the coal severance tax around the State. The first is the Federation which is a group of libraries of all types that join together to plan joint projects and purchases and to share resources. She distributed a folder of information for the committee. She explained the Federation and how it operates.

EXHIBIT(jnh03a10)

Ms. Streige stated the second program is the Magazine Database. This program was purchased with funds allocated in the 1999 legislature. The project is an unqualified success with 681 libraries of all types having paid a subscription fee and having unlimited access to the databases. They are requesting funds to continue use of the database.

REP. TROPILA asked why some of the small high schools do not participate in this program. **Ms. Streige** stated the State Library is not responsible for distributing the information of its availability-rather OPI is-but in the next biennium, she intends to initiate more publicity about the program so that every public school is aware of its availability.

CHAIRMAN HAINES asked how the fee is determined for individual libraries to subscribe. **Ms. Streige** stated it is determined by a percent of the materials' budget for each library.

PUBLIC TESTIMONY

Ms. Kathy McGowan, Montana Library Association, testified of the importance of this program especially in the rural communities which have such limited funds available for the libraries.

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EXECUTIVE ACTION ON 8.36% COAL TAX ACCOUNT

By the global motion made earlier, the committee accepted the base budgets and the statewide present law adjustments for the Department of Natural Resources. The committee discussed the process involved for executive action.

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Motion: **REP. TROPILA** moved that **FUND ALL THE COAL TAX BUDGET REQUESTS AS PRESENTED WITH ALLOCATING AN ADDITIONAL \$139,000 TO THE CONSERVATION DISTRICTS FOR THE BIENNIUM AND TO GIVE MORE TO THE CONSERVATION DISTRICTS IF IT BECOMES AVAILABLE BE ADOPTED.**

EXHIBIT (jnh03a11)

Discussion: There was discussion on the \$139,000 difference which may be needed for pay plan expenses. **Mr. Younkin** stated there will be a small reduction for personnel services.

Mr. Younkin clarified the motion is to approve the proposals in exhibit 11 and not necessarily the exact dollar amounts since they are subject to change with the pay plan in addition to vacancy savings. The proposals would also include the partial funding within some of the decision packages within the program. **Mr. Hamel** stated the vacancy figures were not available at the time the budget was comprised.

CHAIRMAN HAINES asked **REP. TROPILA** if at this time it would be prudent not to include allocating the additional \$139,000. **REP. TROPILA** stated the Conservation Districts were the only agency asking for additional funding and would like his motion to stand. There was further discussion on allocating the additional \$139,000. Any remaining amount in the coal tax fund not used reverts to the general fund. It was decided not to include that

amount at this time but to revisit this before the committee concluded their work.

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Motion/Vote: REP. TROPILA moved that **ACCEPT THE PROPOSALS REPRESENTED IN THE SPREADSHEET (EXHIBIT 11) BE ADOPTED.** Motion carried unanimously. REP. TASH voted by proxy. Roll call vote.

Mr. Younkin stated there was a language issue to be discussed. The LFD issue is for language appropriation of up to \$2,000,000 should it become available. This would obligate any additional funds up to \$2,000,000 to go to the Coal Board and not to the general fund. The question is whether to act on it in a language appropriation or to make it an actual appropriation in HB 2. There are currently not adequate projected revenues in the account.

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Motion: SEN. NELSON moved that **LFD LANGUAGE "THE MONTANA COAL BOARD IS AUTHORIZED UP TO \$2,000,000 STATE SPECIAL REVENUE DURING THE 2003 BIENNIUM FOR GRANTS DEPENDENT ON AVAILABLE REVENUE IN THE COAL SEVERANCE TAX SHARED ACCOUNT."** BE ADOPTED. Motion withdrawn.

CHAIRMAN HAINES closed the hearing on the 8.36% Coal Tax Account.

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HEARING ON FISH, WILDLIFE AND PARKS

Capitol Grounds Maintenance

Mr. Doug Monger, Administrator, State Parks Division, Fish, Wildlife and Parks, spoke about the Capitol Grounds maintenance. This is the maintenance on the grounds the Capitol Building occupies. This maintenance was transferred to the Fish, Wildlife and Parks (FWP), State Parks Division in about 1991. The Capitol complex maintains about 70 acres of landscaping which includes the Old Governor's Mansion, the old and new liquor warehouse, and the records management area by the railroad tracks. In the summer it involves care of trees and shrubs, planting of new flowers, the flower display on the Capitol Grounds, watering, mowing, and trash pick up and vandalism. About 75% of the maintenance is summer work with 25% coming in the winter with snow and ice removal from sidewalks and parking lots. It is funded with a proprietary account. Each agency with office space

on the Capitol Grounds contributes to the grounds maintenance based on rates established in the legislature. These rates go into all the agencies base budget maintenance amount. **Mr. Monger** was asking for a rate increase of 2.5 cents per square foot for the first time in four years. It would increase from .3446 cents to .3696 cents per square foot. This is still a lower rate than contracting the work out privately. **CHAIRMAN HAINES** ask if there were any other overhead costs involved other than those shown. **Mr. Monger** responded in a proprietary account they need to live within the budget.

Mr. Hamel stated he has no LFD issues with the rate increase. The increased amount was used in the Governor Martz budget.

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Motion/Vote: SEN. CRISMORE moved that INCREASE RATE PER SQUARE FOOT FOR CAPITOL GROUNDS MAINTENANCE FROM .3446 CENTS TO .3696 CENTS BE ADOPTED. Motion carried unanimously. Roll call vote.

CHAIRMAN HAINES adjourned the meeting.

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ADJOURNMENT

Adjournment: 11:50 A.M.

REP. DICK HAINES, Chairman

SANDRA WHITAKER, Transcription
Secretary

DH/SW

EXHIBIT (jnh03aad)